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ABSTRACT

In order to analyze the California system of community college finance within a national context, a review of recent literature was followed by an intensive study and survey of eight states, chosen to illustrate alternative solutions to California financing problems. National trends among community colleges that emerged included (1) the development of distinct purposes and identities; (2) funding mechanisms which increasingly resemble those of four-year institutions; (3) legally distinct governance and funding; (4) budget review procedures with line-item appropriations; (5) an increasing state share of support with decreasing local support; and (6) the development of the "community college" concept with a wide variety of programs, courses, and activities. Levels of support for students, the arguments and consequences of state/local funding, the variety of finance mechanisms, finance formulas related to affirmative action, and the issues of educational equity and tuition and fees were also explored. Two major conclusions were drawn: before adopting any finance system a state must (1) decide the basic issues of mission, breadth of offering, and student body composition, and (2) recognize the great force among two-year colleges of tradition and local circumstances. The survey questionnaire and details of the Florida cost-analysis model are appended. (RT)

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Commission Report 77-3 Supplement
September 1977

METHODS OF TWO-YEAR COLLEGE FINANCE IN SELECTED STATES

A Supplement to
Financial Support for the California Community Colleges -
Commission Report 77-3

A Report by the Staff of the
California Postsecondary Education Commission

JC 770 540

I. REVENUES FOR CURRENT OPERATIONS

As part of its two-year study of Community College finance in California, Commission staff conducted a survey of the finance systems in several other states. Most authorities on two-year colleges warn that comparative studies among the states have limited value because the colleges developed under quite different circumstances and generally reflect the local social and economic environments. Broadly conceived studies are interesting but rarely contain material directly relevant to the community colleges in a specific state. Therefore, the purpose of the Commission survey was not to investigate other finance systems as a whole, but to analyze those features which related to the Commission's concerns in its California study: levels of support in comparison with California, state and local sharing arrangements, efforts toward tax equalization, financing mechanisms which distinguish among students and programs, and tuition/fees.

Commission staff first reviewed the recent literature on community colleges from the national perspective, especially studies of their historical development and contemporary trends in finance. The staff then selected eight states for intensive study: New York, Illinois, Florida, Virginia, Texas, Colorado, Mississippi and Hawaii.[1] These states represent a wide range of governance/finance arrangements and important similarities and dissimilarities to California in terms of geographic size, demographic characteristics, and educational philosophy. These various arrangements provided an array of alternative solutions to the problems of Community College finance in California.

National Trends

Trends among community colleges in the fifty states are rarely clear or uniform. However, a few current trends are so pervasive that they deserve attention if only to suggest the forces which are influencing all community colleges.

Finance Mechanisms Increasingly Similar to Four-Year Institutions

Before 1960, most public two-year colleges "were submerged in public school systems, lacking identity, clarity of purpose, or political

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1. Appendix A describes the selection process for these states and the questionnaires mailed to them.

potency."[2] Since then, most of these institutions have developed a separate identity and have assumed purposes distinct from both secondary education and traditional higher education. Almost without exception, the various community-college systems have adopted mission statements similar to those of New York and Florida:

> These diversified community colleges . . . serve both local and statewide interests by providing an opportunity for low tuition, quality education, primarily on a commuting basis, to a broad cross section of the citizens of New York State.[3]

> [Community colleges are] assigned the mission to provide course work normally associated with that which is offered in the first two years by the university system occupational (vocational) courses, and programs directed towards developing knowledge and skills for immediate employment, and adult continuing educational opportunities. . . . The State Plan for Community Colleges provide[s] for these services and educational opportunities to be available within commuting distance of ninety-nine percent of Florida's population.[4]

Even though these statements distinguish community colleges from four-year institutions (especially research-oriented universities), most states have changed the funding mechanisms for their two-year colleges to resemble those for their other colleges and universities. In 1950, almost all public two-year colleges were supported in the same way as primary and secondary schools, and many were actually governed by the public school systems. Although vestiges of this link still remain, virtually all community-college systems are now governed separately and draw their operating support from funds which are legally distinct from those provided to the other educational systems. Many states have adopted budget review procedures with line-item appropriations, categorical aid to encourage certain kinds of activities, differential cost-accounting among programs, and student aid grants for their community colleges--all of which

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2. Richard Richardson, et al., The Governance of Two-Year Colleges (Englewood Cliffs, N. J., 1972), p. 10. As junior colleges broke away from the secondary schools, however, pressures grew to charge tuition comparable to public colleges and universities. See James L. Wattenbarger and Bob N. Cage, More Money for More Opportunity (San Francisco, 1974), p. 19.

3. New York Board of Regents, "Draft Mission Statement," October 2, 1975. Supplied by Anthony D. Knerr, Vice Chancellor for Budget and Planning, The City University of New York (September 20, 1976).

4. Florida Community Colleges, Position Paper I for the Florida Public Postsecondary Finance Committee (September, 1975), p. 1.

come from patterns long established for four-year institutions.[5]

One consequence of this trend toward similar funding mechanisns is that the state's share of support for community colleges is gradually increasing and the local share is decreasing in most cities and states. Between 1929 and 1968, the total share of state support in the nation increased from 3 percent to over 50 percent, and the states' share is certainly higher today.[6]

Although this trend holds for most states, the reasons for it are diverse. One reason involves a philosophical viewpoint which downplays the state/local distinction. In 1972, the New York Regents recommended that "the State assume financial responsibility for the community colleges as rapidly as fiscal resources permit . . . ."[7] How could the Regents justify this assumption by the state if, as their own mission statement indicated, community colleges were to be particularly responsive to local needs? "The present system of county sponsorship is inappropriate for community colleges which are expected to serve a statewide policy of full opportunity," the Regents declared. "Broader sponsorship would permit each community college to serve a wider geographical area . . . without resorting to a complicated system of county chargebacks for non-resident [i.e., noncounty] students.[8]

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5. Lawrence H. Arney, State Patterns of Financial Support for Community Colleges (Gainesville, Florida, 1970), p. 9. S. V. Martorana and W. G. McGuire, State Legislation Relating to Community and Junior Colleges, 1973-5 (Pennsylvania State University, 1976), p. 41. Richard J. Meisinger, State Budgeting for Higher Education: The Uses of Formulas (Berkeley, 1976). Wattenbarger and Starnes conclude:

> Arkansas, South Carolina, Texas and Wyoming have made changes in their formulae that fund programs based upon cost analyses and the differing costs in operation of classes in the various disciplines. . . . The trend is self-evident: a program orientation, and differentiated funding according to varying costs. [James L. Wattenbarger and Paul M. Starnes, "Financial Support for Community Colleges in 1974" (Gainesville, Florida, 1974), p. 26.]

6. Wattenbarger and Cage, More Money for More Opportunity (San Francisco, 1974), p. 21.

7. New York Board of Regents, Financing Higher Education Needs in the Decade Ahead (Albany, 1972), pp. 25-26.

8. Ibid. After reviewing national trends during the 1960s, Leland Medsker and Dale Tillery concluded "that the trend is in the direction of greater state control over all public higher education . . . ." Medsker and Tillery, Breaking the Access Barriers: A Profile of Two-Year Colleges (New York, 1971), p. 110.

A second reason for the state's expanding support of community colleges was the disparity between the local tax base and educational needs in the first two years of college. Community college enrollments tend to be heavier per capita in low-income districts because middle- and upper-income students are more likely to attend four-year colleges and universities. The local tax base in those low-income districts, however, usually provides less revenue for the colleges than the same levy in districts with higher income levels. Therefore, most states which fund all public education on a state/local sharing basis have developed complex equalization mechanisms prompted by a spirit of tax equity or, in some cases, because of the mandates of state courts. The complexity of such mechanisms have provided strong incentives for states to consolidate the collection of taxes for education and the distribution of revenues at the state level.

From "Junior" to "Community" College

Another universal trend has been the evolution of the "junior college," with its fixed curriculum of academic transfer credits and separate vocational-technical divisions, toward the "community college," which embraces a wide variety of programs, courses, and activities. The community college tailors itself to the special economic and social characteristics of surrounding neighborhoods and has increasingly stressed learning experiences rather than diplomas as the major goal of community service. Such an orientation has profoundly affected community colleges everywhere.

The "community college" orientation attracted such a large clientele that enrollment growth in two-year institutions far surpassed the expansion in other institutions of higher education. In 1958, the total headcount enrollment in the nation's two-year colleges stood at 374,672. By the fall of 1975, the headcount had increased to 3,936,000, up 19.3 percent from the previous year, a tenfold increase since 1958.[9]

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9. Medsker and Tillery, Breaking the Access Barries, pp. 17-18. The Chronicle of Higher Education, November 17, 1975, p. 1; December 15, 1975, p. 5. Total enrollment in higher education increased from 3.6 million in 1960 to 11,240,187 in 1975. See Robert Berdahl, Statewide Coordination of Higher Education (Washington, D.C., 1971), p. 202. Walter Garms, Financing Community Colleges (New York, 1977), p. 6. James L. Wattenbarger and Bob N. Cage, More Money for More Opportunity (San Francisco, 1974), pp. 1-8. Such growth did not result, as several have charged, exclusively from a surge of part-time enrollment. Full-time student enrollment increased 17.5 percent nationwide between 1974 and 1975 in public two-year institutions. See Chronicle of Higher Education, March 29, 1976.

This orientation and enrollment growth, however, has created stresses in the organization of community colleges. In many instances, the colleges are striving for the flexible delivery systems characteristic of social service agencies while attempting to maintain their identity as part of the formal education establishment, with its cumbersome system of faculty tenure, established curricula, class schedules, academic standards, and credit hours. These stresses have changed the traditional concept of a college as an institution with a central campus and full-time faculty toward an operation with a headquarters and a small core of full-time teachers who coordinate many off-campus centers, remote educational services, and part-time instructors.[10]

Many state officials are concerned about the unwieldiness of an institution which attempts to serve as both a decentralized social agency and an educational organization responsible for certifying the competence of students. This concern intensified as community college budgets grew so rapidly during the past decade. The final result of these stresses may be a hybrid institution which barely resembles either a government service agency or a traditional college.

Levels of Support for Community College Students

It is difficult to employ a standard measure of support-per-student because of the varieties of financing mechanisms and enrollment accounting. Furthermore, level-of-support comparisons can be quite misleading unless their derivations are explicit and comparable. To the greatest extent possible, Commission staff has attempted to organize all the information from its survey of states into similar categories in order to present an accurate overview of the average cost of a community college student's education and the state's share of that average cost.

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10. Arthur M. Cohen, "Hiding Behind the Classroom Door," Chronicle of Higher Education, July 26, 1976, p. 24. Richard Richardson in The Governance of Two-Year Colleges argues that the most important shift in perspective is from training students for jobs to the college as a community resource in the broadest sense. Traditional concepts of higher education have portrayed institutions as neutral agents in the solution of social problems, a concept which has given way to a belief that community colleges must be involved actively in community affairs (p. 22). The social impact of this concept has hardly reached full tide.

California's elaborate system of State/local support which is based on a foundation amount per average-daily-attendance, generated $1.14 billion for the more than one-hundred Community Colleges in 1975-6. Of this amount, approximately $495 million was provided by the State, which represents $643.24 per Full-Time-Equivalent (FTE) student. Including all support--local district revenue, federal aid and student fees,--$1,484 was available per FTE community-college student in California during 1975-6.[11] Table I indicates that California ranks fourth among the Commission's survey states in terms of appropriations per FTE student.[12]

Although these levels of support are below the appropriations per-student at most four-year colleges and universities,[13] historical evidence indicates that the level of support for two-year colleges in the survey states has increased steadily, thus reflecting the effects of inflation and the demands for new services. Because most states use enrollment-generated formulas based on average costs to fund their two-year colleges, and many have recently included an annual inflation factor, the growth of two-year-college budgets has been faster than that for other state agencies. In New York, the state's allocations to community colleges have risen almost 50 percent since 1971-2. In Illinois, only 10.6 percent of all students entering higher education in 1951 attended community colleges; today, 47.8 percent do so.

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11. See Table III of this report. According to the California Department of Finance, 1,101,548 students were enrolled in the California Community Colleges during the fall term, 1975, for 768,902 ADA (Total and Full-Time Enrollment: California Institutions of Higher Education, Fall, 1975 [Sacramento, 1976], p. 3).

12. Appendix B lists the source for Table I. Hawaii was not included because the relevant information was unavailable.

13. The California Legislative Analyst estimated that State/FTE costs at the University of California ranged between $3,085 to $14,623 in 1975-6, depending on the campus. The average student at a State University and College campus in California cost between $2,015 and $3,642 for the same year, again depending on the campus. See Report of the Legislative Analyst to the Joint Legislative Budget Committee: Analysis of the Budget Bill . . . for the Fiscal Year July 1, 1976 to June 30, 1977 (Sacramento, February 1976), p. 763.

TABLE I

STATE SUPPORT AND TOTAL APPROPRIATIONS PER FTE STUDENT
FOR TWO-YEAR COLLEGES AND POSTSECONDARY
TECHNICAL/VOCATIONAL SCHOOLS AMONG THE
SURVEY STATES

State	State Appropriation in Millions	Total Amount Available in Millions[a]	Percent of Total Supported By State	FTE Enrollment	Total Amount Available Per FTE Student
New York	$81.4[b,d]	$223.8	36.4%	128,450[h]	$1,742
Illinois	112.7[c]	268.7[e]	41.9	156,883	1,713
Texas	144.0[c]	180.1[f]	80.0	108,720	1,656
California	494.6[c]	1,141.2	43.3	768,902[i]	1,484
Virginia	47.5[b]	59.4	80.0	40,174	1,479
Colorado	20.5[c,g]	29.4	70.0	23,345	1,257
Mississippi	27.9[c]	47.7	58.5	37,841	1,261
Florida	$141.4[b]	$188.6	75.0%	158,000	$1,194[j]

a. Includes student services.

b. 1974-75.

c. 1975-76.

d. These figures include only those colleges within the State University of New York. The financial crises in New York City make the City University's community colleges a poor measure for support per student.

e. The total expenditure is calculated by using estimates for local taxes for FY 1977, tuition, federal grants, and "other." This information is contained in Illinois Community College Board, Fiscal Year 1977 Operating Budget Recommendations (Springfield, 1975), pp. 18-20. This was the best source available to Commission staff at the time.

f. This includes an estimated tuition revenue of $36,010,544, which is 20 percent of the total cost of community colleges. The 20 percent figure is the standard adopted by the Texas Legislature.

g. State-supported community colleges only.

h. New York supplied enrollment in terms of full-time and part-time students. FTE enrollment was calculated from this figure by assuming that 1 full-time student is 1 FTE, while 1 part-time student is 1/2 FTE. This method undoubtedly overestimates the number of FTE students, but not seriously so.

i. The California FTE is actually the Average Daily Attendance (ADA) figure reported by the Department of Finance. Although FTE students and ADA are not exact equivalents, they are sufficiently comparable for the purposes of this overview.

j. This expenditure-per-FTE-student differs from the cost-per-FTE-student of $1,257.18 given in Division of Community Colleges, Department of Education, Report for Public Community Colleges, 1974-75 (Tallahassee, Florida, 1976), p. 68. Rather than adopting the Florida system's method of calculating full costs, Commission staff calculated expenditure-per-FTE for Florida exactly the same way as all other states.

Source: See Appendix B.

During the past 15 years, the public junior colleges in Texas have increased their share of the legislative appropriations for higher education from $8.32 per $100 (FY 1962) to $16.48 per $100 (FY 1977).[14]

Such growth, heartening though it may be to educators, has caused many legislators to re-examine their commitment to two-year colleges. The effects of the nationwide recession on state budgets, and the increasing competition of other government programs for limited public funds, forced most of the states surveyed to choose between lowering their level of support for two-year college students or limiting enrollments. Florida provides a good example. The state appropriated funds for 138,667 FTE students in its 1974-5 budget, but actual enrollments surged to 157,849 that year. Under the Florida budget formula, the additional number of students (19,000) were divided into the state's appropriation for 1974-5 to determine the cost per student as a basis for state support in the following year. "As that process continued," reported The Chronicle of Higher Education, "the support per student would keep going down, so the presidents of the community colleges called for a halt."[15] Virtually all of Florida's 28 community-college districts pared back their offerings for 1975, and college officials estimated that 5,000 students were discouraged from enrolling because of such measures.

The Debate Over State Funding Versus State/Local Sharing

As long as junior colleges were connected to secondary schools in most states, a single finance system that mixed local support with state funds made sense. The enormous growth of these colleges after World War II and their emergence as a recognized part of "higher education" caused many states to abandon local support and to widen the tax base to the entire state. This trend toward state assumption of responsibility for junior college support sparked a lively debate, especially in states like California where respect for "local control" had hardened into an unchallenged maxim. The following section draws on the

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14. New York State Education Department, A Summary of Major Changes in the State's Higher Education System . . .. (Albany, 1976), p. 5. Illinois Board of Higher Education, Data Book on Illinois Higher Education (Springfield, 1976), p. 83. Statistical Supplement to the Annual Report of the Coordinating Board, Texas College and University System for Fiscal Year 1975 (Austin, 1975), p. 151.

15. The Chronicle of Higher Education, March 29, 1976.

experience of the survey states to examine this important debate over local control versus state funding.[16]

The Case for Local Tax Support

There is widespread agreement that two-year colleges should be an integral part of the surrounding community and offer courses which meet the particular social needs and manpower requirements within a limited geographical area. The argument between supporters of local taxes and advocates of state financing involves how best to assure this community-service orientation through governance of the institution. Advocates of state financing insist that locally elected trustees can still retain primary authority over the curriculum, over faculty policies and salaries, and over distribution of monies within the college's total budget, even when the state provides most of the funds. They assert that funding and decision making can be constructively separated.

Proponents of the local tax base disagree and stress one proposition: ultimate control rests with that political authority which has the power to tax. Local trustees who do not raise a significant portion of their revenues will be overruled when their decisions conflict with statewide policy.[17] Decisions, they say, invariably follow the dollar. Furthermore, concern for responsible management of local taxes will attract high-caliber citizens to board membership and so enhance the standing of the college in the community, an important asset for two-year local institutions.[18]

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16. James L. Wattenbarger, "Changing Patterns of Junior College Control: Local to State Government," Junior College Journal, 33 (May, 1968), pp. 9-16. This section also draws on the useful summaries of recent legislative activity in S. V. Martorana and W. Gary McGuire, State Legislation Relating to Community and Junior Colleges, 1973-5 (Pennsylvania State University, 1976).

17. Despite the fact that these arguments could be tested with empirical evidence, the local-state debate for two-year colleges has continued on an abstract and "self-evident" level. Despite the voluminous information on these colleges, surprisingly few researchers have tried to see whether locally-controlled colleges differ in curriculum and orientation from their state-controlled counterparts.

18. The ideology of local control over community-oriented decisions is properly stressed in Herbert Kaufman, Politics and Policies in State and Local Government (Englewood Cliffs, N.J., 1963). This ideology is described with regard to public schools in Lawrence C. Pierce, et al., State School Finance Alternatives (Eugene, Ore., 1975), pp. 12-3.

What does the evidence from the Commission's survey reveal about this debate? A cursory examination of college catalogues from the eight states indicates that their courses and activities are similar except for the number of avocational-recreational courses (broadly defined) and the kinds of occupational-technical programs offered. Rather than the tax base, the educational philosophies of policy makers and the level of support per FTE student appear to be the major variables which influence the number of avocational-recreational courses. Those states with high levels of student support tend to offer a greater number of nontraditional courses. Furthermore, the kinds of occupational/technical programs appear to reflect the economic needs of the community. This is hardly surprising since most colleges have advisory committees consisting of local business leaders.

Several people have studied these advisory committees and found that the most active supporters of the local-tax-base argument tend to be those in business and community service who need a continuing stream of employees with particular skills.[19] Certainly, the survey states which have maintained state/local sharing--Texas, Illinois, and New York--are precisely those with a long tradition of close association between employers and the colleges.[20] These people can influence local trustees and advisory committees far more easily than a state bureaucracy which presides over the curriculum. A reasonable hypothesis seems to be that strong pressures will develop for state/local sharing of college revenues and for a powerful role by the local trustees within those states where local interests have specefic needs for trained people.

The Case for Exclusive State Support

Among the eight states surveyed by the Commission, the movement toward state assumption of two-year college funding has been strongest in Colorado, Virginia, Illinois, and Florida.

Rather than abolish local community college districts, the Colorado legislature created a dual system in 1967 in which existing colleges could maintain their local tax base or join the statewide community college system. The legislature's decision was a practical one

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19. A. J. Riendau, The Role of the Advisory Committee in the Junior College (Washington, D.C., 1967).

20. Virginia is a striking exception to this generalization. Seventy percent of all community college graduates are in programs whose purpose is immediate employment. Therefore, employers would have strong incentives to keep college decisions close to home. Actually, Virginia is one of the most centralized systems in the nation although, as discussed later, this was a result of a late start for its two-year colleges.

involving geography. Because "vast areas are sparsely settled and . . . natural barriers complicate transportation patterns," only the urban areas of Colorado could support districts compact enough for commuting.[21] Only a state system could provide tax resources for remote areas and thus insure an adequate junior college education for most Coloradoans. This necessity to redistribute monies has been a primary incentive for many states to adopt full state support.

Because Virginia had no two-year college system prior to 1966, there was never a serious effort to divide the state into districts for tax purposes. There are now 58,000 students attending 23 two-year colleges, which have a full array of local advisory committees. However, the colleges are all governed by the State Board for Community Colleges, making Virginia one of the most centralized two-year systems in the United States. Whatever the disadvantages of such centralization, a college official suggests that the ability to shift funds from one college to another has helped solve "the most serious problem" in educational finance: "The proper allocation of funds to cover the special needs of the individual colleges and to ease the financial pressures of over-enrollments."[22]

Although recent changes in Illinois' community college system have left state/local sharing intact, strong sentiments for a larger state role linger among those who manage Illinois' system of higher education.[23] They grant that the colleges should have enough flexibility to devote a portion of their courses to local needs but that the majority of courses must have uniform standards. "From a broad perspective . . .," states the Illinois Master Plan, "it is assumed that the programs and services of all community colleges will be similar."[24]

The success of the Illinois system has, ironically, posed a major problem. The aggressive expansion of colleges into nontraditional programs and the large numbers of part-time students (an increase

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21. Colorado Commission on Higher Education, Planning for the 70's (Denver, revised in 1971), p. 27. Frederick C. Kintzer, Middleman in Higher Education (San Francisco, 1973), p. 109.

22. Response to Commission survey from Daniel Crooks, Virginia Department of Community Colleges (October 13, 1976).

23. Illinois Board of Higher Education, Committee to Study Public Community College Financing, "Committee Report on Financing Public Community Colleges" (mimeographed, May, 1975).

24. The Illinois Board of Higher Education, A Master Plan for Postsecondary Education in Illinois (Springfield, 1976), p. 50.

from 111,102 in 1972 to 188,362 in 1974) are prime concerns for state officials.[25] In 1974, the Illinois Board of Higher Education declared that community colleges "must relate their aspirations to overall statewide policies and priorities that apply to all post-secondary education institutions,"[26] a frank suggestion to limit growth. Faced with the Governor's cut-back in FY 1976 of credit-hour support for students in developmental/vocational-skills courses, the Community College Board called on administrators to "focus attention away from individual district funding levels and toward a system philosophy of community college programs and services."[27] The 1976 Master Plan "now distinguishes between programs of statewide concern and those which are more locally oriented" by identifying eight categories of instruction and providing different levels of state funding for each.[28] The Illinois mechanism of differential funding based on

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25. Illinois Board of Higher Education, "Committee Report on Financing Public Community Colleges," p. 10.

26. State of Illinois, Board of Higher Education, "Role and Scope of Community Colleges," Item #13 (October 1, 1974), p. 4.

27. Illinois Community College Board, "Summary of Community College Funding Proposals for Fiscal Year 1977" (Springfield, 1976), p. 2.

28. Ibid., p. 8. The Board suggested that the procedure for determining flat grant rates from the state be as follows:

    1. Estimate the cost per credit hour for each of the eight instructional categories for FY 1977 (Baccalaureate oriented, health professions, etc.).
    2. Determine the "local contribution" (local taxes, tuition, federal sources) and dividing by the projected number of credit hours for FY 1977.
    3. The state would fund the difference between credit unit cost and "local contribution" in those programs determined to be of statewide importance.

    The Board further declared that "the State of Illinois should be funding a greater portion of the operating costs of Illinois public community colleges . . . [at least] one half the average operating costs." ("Summary of Community College Funding Proposals," p. 5.) As Table I indicates, the State of Illinois supplied 42 percent of the operating expenditures of community colleges in 1975-6 through the flat grant method. "The state should move toward state funding of 75 to 100 percent of annual operating expenses," according to educational finance expert M. M. Chambers of Illinois State University (response to Commission survey, June 14, 1976).

the statewide program priorities represents a middle ground between strict local autonomy and statewide control. If implemented and successful, the plan will likely be adopted by those states which retain a mixture of local and state funding for two-year colleges.

The Consequences of Full State Support

Although abolition of local taxes to support community colleges will guarantee a strong state role in most aspects of education, it is by no means certain that state funding eliminates a powerful local influence over the colleges. Florida is perhaps the best example of a system where power is shared, to a substantial degree, between local districts and the state. A brief review of the Florida system will highlight a system which attempts this precarious balance.

Florida has experienced all the problems of states with major two-year college systems: rapid enrollment growth, demands for colleges within commuting distance of most citizens, competition among higher education institutions for state resources, property owners exasperated with ever-increasing taxes. In 1968, the Florida legislature established independent local boards of trustees and authorized those boards to assume local authority for the colleges with minimal support from ad valorem taxes. Three years later, the legislature removed the financial responsibility from the boards, although each of the 28 community college districts remained an independent legal entity with "the powers necessary for [the boards'] governmental operation for their respective college." [29] Since that time, the concept of the Florida system is that the boards will exercise authority over faculty policies, curriculum, and program priorities, and have limited responsibilities for capital outlay planning. The budgeting system and setting of educational goals and priorities are centralized at the state level.

This system is remarkably successful when local boards and state officials agree on policies and priorities. The boards have wide discretion over all policies except the formulas which generate the district's total budget and the dollars for each curricular program. State officials have control over resources for programs within all institutions of higher education and have some flexibility to transfer resources to areas where they will provide the best education for the largest number of students. The primary goal of state budgeting is to eliminate competition for resources through centralized decisions and to provide equal support for students at similar levels

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29. Florida Community Colleges, Position Paper I for the Florida Public Postsecondary Finance Committee (September, 1975), p. 1. Department of Education, Division of Community Colleges, Report . . . for Florida, 1974-5 (Tallahassee, 1975), pp. 1-2. James Wattenbarger, "State Control of Junior Colleges," Junior College Journal, 42 (October, 1971), p. 42.

in similar programs by means of a formula relying solely on cost-analysis.[30]

The Florida system, then, is one wherein "local appointed boards . . . have a high degree of local autonomy,"[31] but they operate within budgetary limits established by the state. Furthermore, the boards can be severely restricted by administrative decisions made in Tallahassee, as described earlier. In 1974-5, the state-support formula forced the districts to absorb 19,000 additional students into their budgets, which lowered the per-student support when the average costs were calculated to project funding for the next fiscal year. This constraint has been widely criticized by Florida educators and local boards alike. Another major issue arose five years ago concerning the amount of time instructors were spending in the classroom. The result was a controversial statute requiring 15 contact hours per week of classroom work for community college instructors.[32] So, the Florida system of centralized support and shared authority works well when agreement exists on fundamentals such as the desired rate of growth in educational institutions. The districts, however, are unlikely to win when this consensus disappears.

The Variety of Finance Mechanisms

The controversy over state/local sharing is essentially a tension between "home-rule" governance and central fiscal management of the state's resources for postsecondary education. The states in the Commission's survey have adopted different systems to balance these interests during the past two decades. At the same time, policy makers for two-year colleges have experimented with a variety of funding formulas to determine the amounts for each institution. Before the emergence of the community-college concept, most formulas specified flat dollar amounts per student. However, most formulas did distinguish between "college age" and "adult" students and those in academic as distinct from technical/vocational courses. These simple formulas have recently been replaced by much more complex ones.

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30. Florida Community Colleges, Position Paper I, pp. 1-4. "State University System of Florida Statement," forwarded to CPEC by Philip D. Goldhagen, Director of Special Projects, State of Florida, Department of Education, May 21, 1976. See Appendix D of this report for a description of Florida's cost analysis system.

31. Goldhagen, May 21, 1976.

32. Ibid.

Two developments encouraged states to elaborate their financing mechanisms and to make precise distinctions among programs and students. First was the spread of sophisticated cost-accounting methods and cost/benefit theory, techniques seized upon by many state officials as a way to provide adequate resources for education. Second, as two-year colleges expanded into many nontraditional fields, policy makers (especially legislators and those in the state budget bureaus) became convinced that it was in the public interest to promote certain kinds of courses and to encourage certain kinds of potential students to attend two-year colleges. Rather than mandating these policies through the stick of statute, they often chose the carrot of positive incentives through finance mechanisms. The following section describes how the survey states have incorporated cost-analysis, educational priorities, and affirmative action into their finance mechanisms for two-year colleges.

The Cost-Analysis Model: The Florida Community Colleges[33]

The Florida system of finance is a classic example of long-range planning and careful organization. The entire system of public higher education has grown up around the central theme of integration and coordination. A single board and a chancellor govern the university system, while the state board of education sets policies for the 28 community colleges. In budgetary affairs, both boards yield to the leadership of an elected Commissioner of Education.[34] Every effort is made to provide equal support for similar programs by using standard formulas to support all higher education.

Florida's community colleges receive allocations through a program-funding process based on the historical costs of operations. Each college conducts an annual cost analysis of the unit costs for each course, based on an examination of records carefully compiled during the year. These pro-rated costs are then aggregated into discipline costs and finally into broad "curriculum program" costs. Finally, a statewide average cost per FTE student is computed, and a cost ratio for each discipline is calculated by dividing the cost of each discipline category by the statewide average cost per FTE student.

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33. The following description is based primarily on materials by Philip D. Goldhagen and on James Wattenbarger and Paul Starnes, "State Funding Formulae for Public Two-Year Colleges" (Gainesville, Florida, 1973), pp. 18-25.

34. Frank Bowen, et al., State Budgeting for Higher Education: Data Digest (Berkeley, 1975), p. 275.

Example:

$$\text{Health Sciences Cost Ratio} = \frac{\text{Health Sciences } \$1{,}800/\text{FTE student}}{\text{All Students } \$1{,}000/\text{FTE student}} = 1.8$$

for "n" fiscal year

A coming-year, statewide average cost per FTE student is then calculated through additions for inflation and equipment costs and subtractions for student fees and federal funds. This unitary cost is then multiplied by the cost ratio for each discipline to produce the coming-year, projected cost per FTE student in each category. The colleges then submit projections of their enrollments in each discipline category and these enrollments are multiplied by the coming-year, average cost per FTE student and the cost ratio for each discipline category. The amounts in each discipline category are then totaled to produce the entire college's allocation for the next fiscal year.[35]

Advantages of a Cost-Analysis Model

- Recognizes substantial differences in costs among programs and funds programs according to their resource needs.
- Takes into account variations in statewide and regional economic conditions, differential costs of large and small institutions, and costs associated with remedial and counseling services.
- Provides better opportunities for management planning and assessment of outcomes.

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35. For a fuller explanation of this process and examples of the derived discipline costs for 1973-4, see Appendix D.

36. Several people who responded to the Commission's survey cited this as a prime goal. For example, William B. Chapman, Director of Long Range Planning for the University of Hawaii, said this:

> The most serious problems in financing community colleges lie not in the area of amount of public funds received, but in the present emphasis on status-quo, incremental enrollment-driven budget request/appropriation, which does not adequately address either policy direction or the many necessary programmatic changes a relatively young system should be making to achieve appropriate levels of quality. (April 23, 1976)

- Allows meaningful cost comparisons among institutions.

- Provides strong element of predictability and rationality which encourages careful cost accounting by campuses.

Disadvantages of a Cost-Analysis Model

Florida is now considering a funding system which uses fixed, variable, and semi-variable costs multiplied by projected enrollments in the various disciplines. The new formula attempts to solve the chief problems of the existing system which treats costs as varying with FTE enrollment, does not reflect the individual college's ability to generate non-state revenues, and is based solely on historical costs. Florida is certainly at the forefront in solving the problems of systems based on cost analysis. See Touche Roos and Company, "Proposed Fund Generation and Apportionment Process for the Florida Community College System" (November 12, 1976).

- Usually treats all costs as directly variable with enrollment.

- Encourages uniformity among similar programs in the community colleges system which might be inappropriate for local needs.

- Tends to lock expensive programs into high costs because they have historically been expensive and does not encourage such programs to be more efficient.

- Tends to discourage innovations in lower-cost programs since changes are generally expensive and not reflected in past costs.

- Tends to make costs and expenditures develop a self-fulfilling relationship which can discourage efforts to break out of established cost patterns.[37]

Although Florida's Department of Education can make periodic adjustments during the fiscal year as actual FTE student enrollments are reported, these adjustments are redistributions within the college system. The total amount of operating revenues available for colleges remains fixed throughout the fiscal year unless the Legislature acts to change it. Thus, an unexpected enrollment increase

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37. Garms, Financing Community Colleges, p. 61.

will cause the average level of support to go down and this will be perpetuated in the next fiscal year's budget.[38]

Finance Formulas Which Contain Value Judgments

The cost-analysis model attempts to determine program costs objectively, without making judgments about the value of programs. Most states, however, have established different funding levels for different programs based, to a substantial degree, on judgments about their contributions to the society as a whole. The Illinois reforms are an effort to separate programs within the formula:

1. The state funding plan for public community colleges should be based upon the following principles:

   a. Credit-hour-generating instruction will be divided into eight different categories, as follows:

      (1) Baccalaureate
      (2) Business, Public Service and Personal Services
      (3) Data Processing and Commerce Technologies
      (4) Natural Science and Industrial Technologies
      (5) Health Professions
      (6) Review of Vocational Skills
      (7) Remedial/Developmental General Studies
      (8) Other General Studies

   b. Noncredit-hour activities included in the missions will be considered a ninth category. This includes community education, public service, and research activities.

   c. For every credit hour instructional category (#1 through #8 above), the state will make flat grants per credit hour for a certain percentage of the difference between:

      (1) The statewide average cost in the system for that category, as adjusted for inflation, marginal cost savings, and productivity savings,

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38. See page 8 above.

(2) The standard local contribution calculated from statewide average property taxes, tuition and fees, and other local revenues.

d. Financial resources will be provided for all categories. Since the eighth and ninth categories are more locally oriented, the state will fund higher percentages of the differences described in (c) above for the first seven categories. Specifically, the state will fund:

100 percent of this difference for the first seven categories

50 percent of this difference for the eighth category

Zero percent of this difference for the ninth category

e. Additional financing for the eighth category and total costs for activities in the ninth category can be funded from local taxes, tuition and fees, and other revenues . . ..[39]

Unlike the Illinois plan, where the value judgments about programs are obvious, many states superimpose rough estimates of cost differences on these value judgments in a rather clumsy effort to appear value-neutral. For instance, seven of the eight survey states fund enrollments in technical and vocational fields at a higher level than enrollments in academic courses, presumably because the former are more expensive. Colorado provides $700 per FTE student in local district colleges, plus an entitlement of $475 for each FTE occupational student. New York pays an additional $150 per year for each FTE student in technical programs. Virginia provides one teaching faculty per 15 FTE students for occupational-technical and foundation programs, but only one instructor per 20 students for college transfer programs.[40]

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39. Illinois Board of Higher Education, "Committee Report on Financing Public Community Colleges," pp. 1-2.

40. Colorado State Board for Community Colleges and Occupational Education, "Guidelines for Reporting and Support Claims for FTE Enrollments . . ." (Denver, July 10, 1975), p. 5. Response to Commission survey from Cornelius Robbins, Associate Chancellor of Community Colleges, State University of New York, July 13, 1976. Daniel Crooks, State of Virginia, October 13, 1976.

These differentials, however, appear to have been established with only superficial cost analysis and without any systematic study of the costs necessary to offer a quality program. The range of differentials certainly indicates that the states are not using common, objective measures to establish their formulas. In fact, the Mississippi legislature has directed that vocational programs receive less district support than academic programs, although categorical grants equalize the amounts.[41] While most states attempted initially to estimate the cost-per-unit difference between vocational and academic courses, there are obviously certain incentives imbedded in the formulas which represent subjective judgments about the value of the course to society.

The entire concept of a course's cost is indeed somewhat arbitrary. Certainly, different courses require different kinds of equipment, but the amount spent for instruction depends on the educational mode, not primarily on the subject matter. For instance, a literature course could be quite expensive if policy makers decided that students "needed" the intensive person-to-person work and laboratories[42] characteristic of the biological sciences and many vocational courses. The point is that the lecture mode will produce students with an "acceptable" level of knowledge in literature, but close supervision and repetitive practice are deemed necessary for an automobile mechanic.

Beyond the academic/vocational distinction, all survey states drew a sharp line between academic/vocational courses and avocational/recreational offerings. Generally, the latter received no state funds because the benefits seem to accrue principally to the individual.[43]

The major differences among the states in funding noncredit courses came over who would be responsible for assigning courses to one category or the other. Those states with district governance tend to engage in negotiations with state officials over distinctions and gradually a set of guidelines emerged.

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41. Francis Geoghegan, Director, Mississippi Commission of Budget and Accounting, response to Commission survey, June 29, 1976.

42. Writing laboratories are small groups of students led by one instructor who meet for extended periods to review each other's writing, offer suggestions, rewrite and resubmit, and often arrange publication of their work. The lecture mode is effective for transmitting knowledge, but skills are developed best through practice and close supervision. This appears true for most fields within the educational enterprise.

43. "In all cases, avocational/recreational courses are to be self-supporting," reported James L. Buysse, Internal Auditor of the State Board for Community Colleges and Occupational Education, Denver, Colorado, June 4, 1976.

The Chancellor of the State University of New York recently reported that the Department of Audit and Control had placed several community colleges on notice for allocating state funds for noncredit courses. The Chancellor pointed out:

> Past budgets have contained authorization for support for occupational, remedial, continuing education and community-service non-credit courses, but denied support to those courses which are avocational, recreational, or social group in nature . . ..
>
> The State University Central Administration has now reached an agreement with [the State] on a written definition of these terms [i.e., occupational, avocational, recreational, etc.].[44]

On the other hand, those states with centralized funding have more formal mechanisms for approval: "All credit courses offered throughout the system must be approved at the State Department [of Community Colleges] level and carried in the State Curriculum Guide," reports a Virginia official.[45] Although enrollments are increasing in avocational/recreational courses, the survey states have decided that the financial burden should not fall on the public as a whole.

Advantages of Formulas Which Contain Value Judgments

- Set priorities for education and strive toward adequate resources for those priorities.
- Force educators themselves to define their goals and to achieve those goals within realistic financial limits.
- Recognize the limits of formal education in meeting community needs compared with social service agencies which are more flexible.

Disadvantages of Formulas Which Contain Value Judgments

- Tend toward arbitrary decisions about what is in the best interest of citizens.
- Rarely allow those people with the most experience in assessing educational needs (the faculty) to determine definitions.

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44. Ernest L. Boyer, Chancellor. Memorandum to the Board of Trustees, January 28, 1976.

45. Daniel Crooks, State of Virginia, response to Commission survey, October 13, 1976.

- Often based on values which stress the practical and vocational aspects of education to the detriment of education which offers cultural, aesthetic, and social development.

- Often prevent large enrollments in courses about ways to cope with problems of modern life for those who need such instruction most, yet are least able to pay for it.

Finance Formulas Which Contain Value Judgments

Although student grants and loans remain the most common way to encourage underrepresented groups to enroll in higher education, several two-year college systems have incorporated incentives for affirmative action in their funding formulas. The most common incentives are tuition waivers for elderly people[46] and additional dollars for students who come from certain racial-ethnic backgrounds or from lower socio-economic groups. These incentives recognize:

(1) a formal commitment of resources is necessary if student bodies are to reflect the composition of the community at large;

(2) education of students with poor preparation is more expensive than education for those with adequate preparation.

Among the survey states, New York and Illinois have gone furthest in these directions. In 1970, the New York legislature established the Full Opportunity Program which offered additional state aid if an institution agreed to accept all recent high school graduates within its "sponsorship" area. Basically, state support was increased from 33 percent of the institution's operating expenses to 40 percent and from $150 to $180 per FTE disadvantaged student.[47] Today, 28 of the

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46. By statute, Illinois colleges may assess variable tuition rates and several have waived charges for citizens over 65 years old. The New York City community colleges have formed a consortium, the Institute for the Elderly, which offers an extensive program of leisure-time courses of both an academic and non-academic nature at college and off-campus locations. All city colleges waive tuition for senior citizens. Illinois Community College Board, Fiscal Year 1977 Operating Budget Recommendations . . ., p. 16. Response to Commission survey from the office of Robert Kibbee, Chancellor, Board of Higher Education of the City of New York, June 27, 1976.

47. See Appendix C for a complete description of the FOP, including the state dollars per disadvantaged student in non-full opportunity colleges.

30 state-sponsored two-year colleges have open admissions and receive roughly $7.3 million more in state aid than would have been the case under the old formula. Referring to all community colleges in the state, the Deputy Commissioner in the Education Department believes that the Full Opportunity Program has:

> . . . markedly increased minority access to community colleges. No special recruiting has been necessary, but special programs of preparatory or compensatory education have had to be established at virtually every community college to help such students succeed.[48]

In the fall of 1975, minority group members constituted 5.6 percent of full-time, credit-course students in community colleges and 50.8 percent in New York City's community colleges.[49]

Illinois has a less ambitious, though important, program to provide extra funds to institutions for students who are underrepresented in its two-year colleges. Until recently, a district received additional state aid for disadvantaged students which amounted to the district's percentage of total federal student aid in the state. Supposedly, this percentage was the best measure of the proportion of students attending two-year colleges who would need special educational assistance. In 1973, Illinois two-year colleges received $732,600 in state aid for 35,000 disadvantaged students. Policy makers in Illinois are convinced that, without such aid, districts cannot effectively implement affirmative action principles on their campuses.[50]

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48. Response to Commission survey from T. Edward Hollander, Deputy Commissioner for Higher and Professional Education, The New York State Education Department, May 25, 1976, and March 8, 1977. Cornelius Robbins, response to Commission survey, May 28, 1976. State University of New York, Community Colleges, 1975-6 State Operating Aid Formula (1975), pp. 1-2. New York Education Code, Chapter V, Section 603.5.

49. Response to Commission survey by T. Edward Hollander, March 8, 1977. State University Trustee Committee on the Special Problems of the Community Colleges, Final Report to the SUNY Board of Trustees (Albany, February, 1976), p. 15. Open admissions have certainly succeeded in opening all colleges to many students who never would have attended under other circumstances. See Alexander W. Austin and Jack E. Rossman, "The Case for Open Admissions: A Status Report," Change, 5 (Summer, 1973), pp. 35-7.

50. Illinois Community College Board, Fiscal Year 1977 Operating Budget Recommendations . . ., p. 9. Illinois Community College Bulletin (September, 1973), pp. 3-4.

Most colleges and universities in the United States have made special efforts to enroll and retain students from those racial, ethnic, and socio-economic groups which have traditionally sent few from their ranks into higher education. The interesting aspect of the two-year colleges' effort is that the survey states have attempted, somewhat indirectly, to implement affirmative action programs by using the formula method of finance, rather than categorical aid, for programs which attempt to serve certain social groups. Whether the formula approach is more effective for affirmative action than categorical aid is an important issue in educational finance.

Advantages of Using Finance Formulas for Affirmative Action

- Provides positive incentives for colleges to serve underrepresented groups.
- Realistically recognizes the higher costs of education for students with poor educational backgrounds.

Disadvantages of Using Finance Formulas for Affirmative Action

- Tends to be arbitrary in meeting the needs of certain groups for special education (ethnic groups) but rarely others who face serious barriers to college (physically handicapped students).
- Is less direct than categorical aid for affirmative action, which has a specific program, responsible personnel, and measurable objectives.

The Burden of Financial Support

The Issue of Educational Equity

During the past decade public school finance has been assaulted by the rulings of several state supreme courts, which have declared unconstitutional those district systems resulting in enormous disparities in per-student support. California's Serrano decision in August 1971, established a pattern followed by several states.[51] The California Supreme Court found that educational opportunity was a cornerstone in democratic society and that the guarantee of "equal protection of the law" meant that each child must have access to "quality" education. "We have determined," the California Court declared, "that the funding scheme invidiously discriminates against

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51. John Serrano, Jr., et al. v. Ivy Priest, 483 P. 2nd. 1241. See also Robinson v. Cahill, 62 N.J. 473; Olsen v. State of Oregon, Lane County Circuit Court Case No. 72 0569.

the poor because it makes the quality of a child's education a function of the wealth of his parents and neighbors" (487 P. 2nd. 1244). The Court did not declare that per-student funding had to be equal; it did declare that the average expenditure could not be a function of the district's wealth (the proviso of "fiscal neutrality"). Although the Serrano case did not deal with California's Community Colleges, its principles apply *if* the State accepts public responsibility for providing two years of such education beyond high school.

None of the eight states surveyed by Commission staff have accepted this responsibility, and it seems unlikely that they will do so.

(1) Virtually all two-year college students are beyond the age of majority (18 years old).

(2) All survey states charge tuition and fees, thus recognizing that postsecondary education is partly the financial responsibility of students themselves.

(3) If two years of education beyond high school were recognized as a public responsibility, this would certainly apply to the freshman and sophomore years of four-year colleges and universities. Free education at these institutions would run counter to strong trends toward higher tuition.

(4) Two-year colleges provide so many kinds of education with differing social benefits (naturalization, continuing, academic, vocational, recreational education) that the public's responsibility does not appear so compelling here as for students in their earlier years (ages 4 through 18).

The Issue of Tuition and Fees

Despite formal commitments to "open-access education," all the survey states assume that costs should be shared between the government (state and local in some cases) and the student. Tuition levels vary widely, however, not only among the states but also between colleges within each system, as Table II indicates.

Several points are obvious from data in Table II. First, those states with the highest tuition also provide the highest level of support per FTE student (See Table I, page 7). Second, tuition policy is largely determined by the traditions surrounding higher education within each state. The high student charges in New York are based upon a long-standing principle that the state supply one-third of the educational cost, the district one-third, and the student one-third. Obviously those states like New York, where the

TABLE II

THE LEVELS OF RESIDENT AND NON-RESIDENT TUITION AND FEES IN THE CPEC SURVEY OF TWO-YEAR COLLEGES

STATE	NUMBER OF COLLEGES REPORTING[a]	1976-1977 RESIDENT TUITION AND FEES PER FULL-TIME STUDENT	1976-1977 OUT OF STATE TUITION AND FEES PER FULL-TIME STUDENT[b]	RANGE FOR RESIDENT TUITION AND FEES
Colorado	4	$348.25	$1,349.50	$250 - $520
Florida	19	368.47	722.84	288 - 450
Hawaii	6	90.00	925.00	90
Illinois	14	372.86	2,131.86	200 - 480
Mississippi	5	358.60	733.60	220 - 704
New York[b] (state only)	30	599.67[c]	1,203.42[c]	420 - 650[d]
Texas	8	234.50	838.25	170 - 290
Virginia	19	314.58[e]	1,003.53	300 - 406

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a. With one exception, these colleges are those which responded to the survey by the College Entrance Examination Board and reported in The Chronicle of Higher Education, April 5, 1976, pp. 13-17.

b. This column combines the resident tuition and fees and the additional out-of-state tuition in order to arrive at the total charges for out of state students.

c. For 1975-6. State University of New York, Final Report of the Trustee's Committee on the Special Problems of Community Colleges, Appendix. The non-resident information comes from The Chronicle of Higher Education, cited below.

d. T. Edward Hollander, New York State's Deputy Commissioner for Higher and Professional Education, writes:

> Your discussions on relative shares of financing fail to take into account the high proportion of tuition charges covered by the State's extensive entitlement program. The Tuition Assistance Program--financed 100 percent by the State--shifts financing from the local sponsor to the student. The large entitlement student aid program is a major justification for New York State's relatively high tuition levels (March 8, 1977).

e. Since the Virginia system has a standard tuition and fee schedule, the range in the Chronicle must include the summer session (response from L. Daniel Crooks, Deputy Chancellor, March 15, 1977).

Source: The Chronicle of Higher Education, April 5, 1976, pp. 13-17.

public institutions developed in the shadow of distinguished private universities, tend to have higher tuition than those such as Hawaii, where public higher education dominated from the beginning.[52] Finally, most states attempt to establish tuition as a certain percentage of the total educational cost. Consequently, tuition increases as educational costs increase, and during recent years, this has meant a steady upward trend. Several state officials believe that the policy of increasing tuition consonant with total costs, although a restraint on access, is the best method to bring direct pressure on educators to keep expenditures down.[53]

Federal, State, and Local Support: Trends and Issues

The Commission survey also revealed a variety of sources of support for two-year colleges. Table III lists the most important revenue sources in dollars for certain college systems, and Table IV indicates the proportions of the total college budget contributed by each source in 1973.

Over the years, the burden of support has gradually shifted away from local districts to the state and, through tuition charges, to students. Faced with large enrollment increases and rapid inflation, the states have diversified the sources of revenue for two-year colleges and spread the tax burden more widely among citizens and students. Because such colleges often grew from the public school system, court decisions as well as the recent literature about quality education and equitable tax burdens have also encouraged states to move away from the allegedly

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52. One of the recommendations in the New York Board of Regents, "Committee Report on the Financial Problems of Postsecondary Institutions" (1975) is that the "net tuition differential between public and independent institutions be stablized." This means raising the tuition at public institutions or massive amounts of student aid, which is an indirect shift of the fiscal burden for education to the state.

53. William Adrian in Colorado states this: "By relating tuition to costs, the legislature feels it is providing an incentive to keep costs down while also supporting the principle that resident students should pay a proportionate share of the costs" (response to Commission survey, June 4, 1976, p. 3).

TABLE III

TWO-YEAR COLLEGE BUDGET INFORMATION OBTAINED
FROM STATES WHICH RETURNED CPEC QUESTIONNAIRE NO. 1

	SOURCE OF REVENUE				
STATE	STUDENT TUITION AND FEES	LOCAL TAXES	STATE APPROPRIATION	FEDERAL	TOTAL (INCLUDES ALL SOURCES)
Colorado (state only) 1975-6 estimated	$6,721,628 (22.9%)	--	$20,542,974 (70.0%)	$1,661,213 (5.7%)	$29,353,035
Mississippi 1975-6	7,302,281 (15.3%)	$8,197,869 (17.2%)	27,869,064 (58.8%)	4,211,452 (8.8%)	47,707,344
New York (state only) 1975-6 estimated	74,725,000 (29.2%)	74,620,000 (29.1%)	95,780,000 (37.4%)	5,358,000 (2.09%)	255,795,000
Virginia 1975-6	$12,240,650 (17.04%)	--	$58,718,345 (81.71%)	$900,000 (1.25%)	$71,858,995

Sources: Response to the Commission survey from:

James L. Buyssee, Internal Auditor, Colorado State Board for Community Colleges and Occupational Education, June 4, 1976, and March 4, 1977.

Francis Geoghegan, Director, Mississippi Commission of Budget and Accounting, June 29, 1976.

Cornelius V. Robbins, Associate Chancellor for Community Colleges State University of New York, July 13, 1976.

L. Daniel Crooks, Director of Administration and Finance, Virginia Department of Community Colleges, October 13, 1976.

TABLE IV

AVERAGE PERCENTAGES OF FINANCIAL SUPPORT
FOR TWO-YEAR COLLEGES AMONG
SELECTED STATES, 1973-1974

	SOURCE OF REVENUE				
STATE	STUDENT TUITION AND FEES	LOCAL TAXES	STATE APPRO-PRIATION	FEDERAL FUNDS	OTHER
California	0%	52%	42%	6%	0%
Colorado					
State	20.2	0	68.6	10.9	3.0
Local	21.8	52	29.9	1.5	0
Florida	21	0	70	6	3
Hawaii	0 [?]	0	83	12.8	4.2
Illinois	17	40	40	2	1
Mississippi	14	20	52	12	2
New York State	18	43	35	4	0
Texas	16.8	20	56	3.7	3.5
Virginia	17%	0%	72%	10%	1%

Source: James L. Wattenbarger and Paul M. Starnes, "Financial Support for Community Colleges, 1974" (Gainesville, Florida, 1974), pp. 18-19, and responses to the Commission survey.

regressive local property tax.[54]

In addition, states have faced the practical problem that the assessed valuation of property, which generated local taxes, does not uniformly keep pace with inflation. "From 1971 to 1973 (after the state income tax was introduced)," reported a committee of the Illinois Board of Higher Education, "assessed valuation grew 1.75 percent while the general inflationary growth was 7.5 percent." The committee then recommended that:

> A government body with a tax base responsive to inflation should pay the bulk of rising cost. The State with such a tax base would pay most of the rising cost in the proposed plan; however, there are recommendations to change the local tax base to make it more responsive to inflation.[55]

Four reasons were most commonly cited in survey responses for the trends toward more state support for, and higher tuition at, two-year colleges around the nation:

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54. In 1970, the equity debate achieved formal and incisive expression in John E. Coons, William H. Clune, and Stephen D. Sugarman, Private Wealth and Public Education (Cambridge, Mass., 1970). This book offered "a simple formula with modest aspirations" which has been followed in later court decisions involving school finance: "The quality of public education may not be a function of wealth other than the wealth of the state as a whole" (p. 2). Although most of this literature does not discuss two-year colleges, their origin in the secondary school system and their proclaimed goal of "equal opportunity" mean that several principles within the school finance literature apply equally well to such colleges.

    See Stephen Michelson, "What is a 'Just' System for Financing Schools? An Evaluation of Alternative Reforms," Law and Contemporary Problems, 38 (Winter-Spring, 1974), pp. 445-52. W. Norton Grubb, "The First Round of Legislative Reforms in the Post-Serrano World," Law and Contemporary Problems 38 (Winter-Spring, 1974), pp. 459-92. Robert D. Reischauer and Robert W. Hartman, The Effects of Reform in School Finance on the Levels and Distribution of Tax Burdens (Washington, D.C., 1974). Joel S. Berke, et al. Financing Equal Educational Opportunity (Berkeley, 1972).

55. Illinois Board of Higher Education, "Committee Report on Financing Public Community Colleges," pp. 29, 51.

(1) The principle that the tax base for colleges should reflect the state's total wealth;

(2) The principle that the tax revenues must grow at a rate close to that of inflation;

(3) The belief that some tuition should be charged to insure that students of all ages are serious and committed to pursuing formal education;

(4) The belief that tuition as a proportion of the total educational cost will encourage educators to be more cost conscious.

If the states in the Commission's survey are representative, these trends will continue as resistance to local property taxes increases and enrollments grow at two-year colleges. Most of the officials contacted in the survey further believe that these trends, within certain limits, are in the best interests of the colleges and the taxpayers alike.

The Implications for California's Community Colleges

The states have responded differently to the dramatic enrollment growth, the challenge of affirmative action, the rising costs of education, and the demands for local control which have transformed their two-year colleges. Despite the array of finance mechanisms among these colleges, however, most of the states in the Commission's survey are moving in certain directions: toward funding based on some cost-analysis of programs, toward formulas which include value judgments about the importance of programs to the state, toward higher state shares of the total costs for two-year college operations, and toward formula incentives for the "educationally deprived." Californians should certainly consider each of these approaches seriously.

Beyond the actual details of finance, two general conclusions emerged from the Commission's survey. First, there is no "best" way to finance two-year colleges. All these systems are struggling to establish educational objectives and priorities which suggest appropriate finance mechanisms. Traditionally, the opposite has occurred: formulas remained firm as two-year colleges reoriented to social changes. A state should first decide the basic issues of mission, breadth of offering, and student-body composition before adopting any finance system.

Second, the force of tradition and local circumstance is far stronger among two-year colleges than in other segments of postsecondary education, which respond more to national currents. Take tuition in

California as an example. The Golden State has remained committed to a tuition-free and low-fee system, even as other states have moved steadily toward higher student charges. This is hardly a reason for California to adopt tuition: indeed, "no-tuition" may prove a wise policy as other states labor with complicated systems of student aid for two-year, "full opportunity" colleges. California's commitment to zero tuition at its Community Colleges, however, means that other sources of revenue must be tapped (more than in other states) if California is to maintain an adequate level of support per student. Again, it is best for any state to examine and declare its educational principles, its traditions, and its circumstances before adopting any finance mechanisms for two-year colleges.[56]

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56. See Garms, Financing Community Colleges, pp. 38-40 for a thoughtful criteria for evaluating finance systems.

II. FINANCING CAPITAL OUTLAY

The Commission's survey of two-year colleges in the eight selected states revealed a consistent tension between the local objective of having colleges within commuting distance of all residents and the State's interest in fiscal control. The amounts available for capital outlay--construction and equipment--varied widely among these states, generally based on their geography, their populations, their patterns of college governance, and their commitment to commuter colleges.[57]

More important than the dollars spent by each state on capital outlay are the formulas for determining the state/local share of capital funds and the review procedures for new projects. Table V summarizes the current practices in the survey states. Despite this array of finance mechanisms for capital outlay, there are several uniform trends among the states. First, these states distinguish new construction costs and "operating capital outlay" (new equipment and minor building additions). In general, the Legislature is more willing to finance the operating capital outlay expenses. Unlike the trend in college operating costs, however, the survey states tend to rely on local sources for new construction.[58]

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57. Descriptions of the results of this local/state tension and the effect of these factors on construction programs appear in Lawrence Arney, State Patterns of Financial Support for Community Colleges (Gainesville, Florida, 1970), p. 5. Leland Medsker and Dale Tillery, Breaking the Access Barriers (New York, 1971), p. 118. Kathleen Smith, "Crossroads in Texas," in Roger Yarrington, ed., Junior Colleges: 50 States/50 Years (Washington, D.C., 1969), p. 143. James Wattenbarger and Bob Cage, More Money for More Opportunity (San Francisco, 1974), p. 11.

58. The nationwide data in Walter Garms, Financing Community Colleges, p. 23, contradicts this generalization.

CAPITAL OUTLAY AND DEBT SERVICE REVENUE FOR PUBLIC COMMUNITY COLLEGES FROM VARIOUS SOURCES FOR 31 STATES

Source	Revenue (in Millions of Dollars)	Percent of Total
Federal	21.1	3.8%
State	393.5	70.2
Local	123.1	22.0
Tuition	10.7	1.9
Other	11.9	2.1
Total	560.3	11.0%

Strangely, Garms provides no further information concerning which states were sampled nor the relevant year, oversights which undermine his point.

TABLE V

CURRENT PRACTICES FOR CAPITAL OUTLAY SOURCES AMONG TWO-YEAR COLLEGES IN THE COMMISSION SURVEY STATES

State	Local Share Formula	State Share Formula	Local Dollars (*if available*)	State Dollars (*if available*)
Colorado	-A minimum of 50% for locally controlled cc's -No local funds for state controlled cc's	-For locally controlled cc's, the state may match up to 50% of construction costs as determined by the Legislature. -The state provides almost all costs for state controlled cc's.	--	$737,568 for 1975-1976
Hawaii	None	One hundred percent. The same review procedures are used at the state level for the cc's and the university.		
Florida	None	Total state funding of facilities according to project priority determined by the Legislature. State higher education bonds support construction. Continuing capital outlay: $400 per instructional unit X total earned instructional units - 1.25% of total amount.	--	$32,631,543 for 1974-1975[a]
Illinois	Minimum of 25% of new construction costs	Combined state and federal share can range up to 75% of capital construction costs.		
Mississippi		Each college district is allocated an equal share of 50% of the state appropriation for capital outlay. The remaining 50% of the state appropriation is allocated proportionally according to the Fall semester full-time credit students.	$4,645,203 (1974-1975)	$5,000,000 State General Fund $5,000,000 Revenue Sharing $1,200,000 Federal Government (1974-1975)

TABLE V (CONTINUED)

State	Local Share Formula	State Share Formula	Local Dollars *(if available)*	State Dollars *(if available)*
New York	Must provide a minimum of 50% of new construction	State may provide up to 50% of the state trustees-approved amount for capital expenditure.	$53,668,000 (1975-1976)	$53,668,000 (1975-1976)
Texas	One hundred percent	None		
Virginia	Developed by political subdivisions and approved by State Board for Community Colleges	Various proportions established by the Legislature upon recommendation of the Virginia Department of Community Colleges.	$2,968,605 (1974-1976 biennium)	$3,906,815 (1974-1976 biennium)

[a]This represents the Total Expenditures in the Community Colleges' Unexpended Plant Fund Expenditures for 1974-5, a confusing table to be sure. See Department of Education, Division of Community Colleges, Report for Public Community Colleges, 1974-5 (Tallahasse, Florida, 1976), p. 67.

Sources: Response to the Commission survey from L. Daniel Crooks, Director of Administration and Finance, Virginia Department of Community Colleges, October 13, 1976 and March 15, 1977; Francis Geoghegan, Director of the Mississippi Commission of Budget and Accounting, June 29, 1976; Cornelius V. Robbins, Associate Chancellor for Community Colleges, State University of New York, July 13, 1976; James L. Buysse, Internal Auditor, State Board for Community Colleges and Occupational Education, Denver, Colorado, June 4, 1976. James Wattenbarger and Paul Starnes, "Financial Support for Community Colleges" (Gainesville, Florida, 1974), pp. 20-21. Wattenbarger and Starnes, "State Funding Formulae for Public Two-Year Colleges" (Gainesville, Florida, 1973).

The reasons for this continuing reliance on local sources are compelling, and it is unlikely that many states will assume new construction responsibilities. Since the new facility will be used mostly by local residents and its physical presence will enhance the community, those who tangibly benefit should bear some of the construction costs. Furthermore, local responsibility is an effective way to discourage the unwarranted proliferation of campuses. Local districts are less prone to extravagance when they bear the principal burden of cost. Furthermore, the era of abundant new campuses is patently over, and legislatures will be reluctant to assume the unpopular task of deciding which districts are most worthy of the few new facilities.

This reliance on local districts for capital outlay, however, has some unfortunate consequences. As is true for operating costs, the quality of the educational offering is dependent upon the wealth and educational commitment of citizens in a small area when support is limited to the district. This means that people in poorer districts --precisely those who most need the opportunities afforded by inexpensive colleges--will be crowded into limited and inferior facilities. Also, local districts rely heavily on property taxes, a source of revenue which continually falls behind the inflation in construction costs. The Colorado Commission on Higher Education reported that "the largest state revenue sources by 1970--income and sales taxes--are also the most rapidly growing ones," and suggested that these be the prime source for community college budgets.[59] Virginia reports over 43 percent of the colleges' capital outlay budget for 1974-5 comes from funds generated by political subdivisions, whereas the State provides all of their operating funds. "Our finance system has been very successful in meeting our operating objectives," reports a community college official in Virginia, "however, we have not been as successful in our capital outlay objectives. We have colleges that have only 40 percent of needed space . . . ."[60] Obviously, this mixed system of capital-outlay finance in Virginia is not the sole reason for this disparity, but it does mean that construction planning is more difficult and that poorer districts will invariably fall behind the others.

One final trend is clear from examining the budgets of the survey states: capital outlay has been severely curtailed since 1973. A force against further investment is a widespread belief, unconfirmed for two-year colleges until 1976, that enrollments are leveling

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59. Colorado Commission on Higher Education, Planning for the 70's: Higher Education in Colorado (Denver, 1970), p. 53. See the discussion on page 30 above concerning property taxes and the general rate of inflation.

60. Response to the Commission survey by L. Daniel Crooks, Virginia Department of Community Colleges (October 13, 1976).

off.[61] Another force is the increasing reluctance among voters to approve large bond issues, a reluctance aggravated by resentment toward the property tax. Consequently; the popularity of small centers and outreach programs, which offer a way to avoid duplicating expensive facilities on a central campus. Finally, the crisis in New York City shows that the unimaginable is quite possible: a major university with its eight community colleges faces a long period with no support for capital outlay. A $70 million new campus for the Borough of Manhattan Community College had to be halted in mid-construction because the State could not sell its bonds during the crisis of December, 1975. "With regard to capital outlay, the situation is serious," the Vice Chancellor of the City University stated in September, 1976. "The State froze new construction for the community colleges. Major improvements are also at a standstill . . . ."[62] Fortunately, most states and local districts are not paralyzed by similar crises, but most governments will stop construction long before they seriously cut operating expenses.

The record of the survey states in planning capital outlay programs for two-year colleges is, in most cases, dismal. Their reliance on local resources has resulted in uncoordinated efforts and unequal facilities. Their policy has often been negative: the underlying goal of many projects has been to keep facilities small and simple so that two-year colleges will not be attracted to four-year status. Certainly some permanent divisions among institutions should be established, but this should be a matter for a master plan based on distinctions in governance and not engineered through restrictions on construction. "State capital outlay financing is irregular or sporadic," wrote the Director of Mississippi's Commission of Budget and Accounting.[63] "There are no explicit objectives associated with directions and financing capital outlay at the postsecondary level and moreover any implicit objective is difficult to discern," a Texas official stated.[64] In light of these experiences, the California system, which consists of five-year plans and equalization of state/local funding for capital outlay, appears to have worked remarkably well.

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61. The Chronicle of Higher Education, November 22, 1976, p. 3.

62. Response to CPEC survey by Anthony D. Knerr, Vice Chancellor for Budget and Planning of the City University of New York (September 20, 1976). The Chronicle of Higher Education (September 13, 1976), p. 10.

63. Francis Geoghegan, June 29, 1976.

64. Response to the Commission survey by James W. Haynie, Director of the Postsecondary Division of the Texas Education Agency, June 15, 1976.

APPENDICES

APPENDIX A

DESCRIPTION OF THE COMMISSION'S SURVEY OF TWO-YEAR COLLEGE FINANCE IN OTHER STATES

In order to understand the California system within a larger context, Commission staff first reviewed the recent literature on community colleges from the national perspective, especially studies of their historical development and of contemporary trends in organization and finance. It soon became obvious, however, that such broad perspectives would not help in analyzing the specific problems of the California Community Colleges or in suggesting tangible alternatives to the State's present system. Therefore, the staff's focus turned toward a few, systematically selected states which would be studied through some sort of questionnaire.

After several meetings and much advice, the staff composed the two questionnaires which follow this description. The first was designed for budget experts who were thoroughly knowledgeable about the intricacies of the finance system; the second was intended for administrators, faculty leaders, state officials, and legislators, since it involved general perceptions held by policy makers responsible for the direction of two-year colleges.

Two alternatives were possible in constructing the questionnaires. They could be short and simple to answer, thereby encouraging prompt and numerous responses, or the document could be detailed and encompassing in order to obtain information not readily available in existing literature. The staff chose the latter approach, which, though the number of responses would be more limited, meant that each response would have more substance and be more useful.

The next step was to select a few states, based on pertinent criteria. Obviously, the "pacesetter states" of Florida, Illinois, Michigan, New York, Texas and Washington[65] needed some representation in the poll. From these, New York was chosen because, like California, it has large urban concentrations and New York City had a tradition of "free" education. The staff chose Illinois because of its recent financing changes and Florida because of its curious system of total state support and local, semi-autonomous districts. Virginia's consolidation of funding and governance at the state level made it an important exception to the common pattern in the United States. The staff selected Texas because of the challenge of providing education for racially and ethnically distinct groups who are crowded into

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65. Medsker and Tillery, p. 26.

urban centers with high unemployment and for citizens living in rural communities separated by vast stretches of farm or ranchland. Finally, the staff chose three states because of their unique characteristics: Colorado for its dual system of state and local colleges, Mississippi for its similarities to California's system of local districts, and Hawaii for its centralized governance as a division of the University. This range of states and college systems with similarities and dissimilarities to California--in terms of geographic size, demographic characteristics, and educational philosophy--promised to reveal several alternative approaches to the problems of community college finance.

The questionnaires were then sent, with a letter of introduction, to a variety of state officials responsible for two-year colleges, the executive officers of the college systems, a few political leaders interested in education, and presidents of faculty associations. Although the return rate was roughly one in four, the staff received enough questionnaires, along with publications from the states, to gain a thorough understanding of the two-year colleges' objectives and their financing mechanisms employed to meet those objectives. This information was then organized to present the experiences of other states in facing the most controversial issues in California: the viability of the district system of taxation and state/local sharing, a cost-analysis basis for funding, formula incentives for certain kinds of programs, affirmative action, tuition, and an equitable tax system. Throughout the discussion appear examples of the most important tension in community college finance today: the fact that the local and institutional objectives of increasing student enrollment and providing broader offerings often conflict with the state's interest in curbing expenditures and holding the colleges accountable for quality in formal education.

Questionnaire #1

DATA CONCERNING THE FINANCE SYSTEM OF TWO-YEAR COLLEGES

California Postsecondary Education Commission

I. SOURCES OF FUNDING *(Please indicate the source for this information.)*

A. In the following spaces, please show dollars and the percentage of total funds appropriated to your state's two-year colleges:

APPROPRIATIONS FOR 1974-1975

	Local Sources (Specify the local unit.)	State Sources (Specify General or Special Funds.)	Student Tuition and Fees	Federal Government	Other Sources (Specify)	TOTAL
Capital Outlay						
Operating Expenditures						
Student Services						

APPROPRIATIONS FOR 1975-1976

	Local Sources (Specify the local unit.)	State Sources (Specify General or Special Funds.)	Student Tuition and Fees	Federal Government	Other Sources (Specify)	TOTAL
Capital Outlay						
Operating Expenditures						
Student Services						

B. How is money raised at the local level for Capital Outlay?

%	Property tax (Percent of total raised locally);
%	Sales tax (Percent of total raised locally);
%	Income tax (Percent of total raised locally);
%	Other (Please specify).

C. How is money raised at the local level for Operating Expenditures?

%	Property tax (Percent of total raised locally);
%	Sales tax (Percent of total raised locally);
%	Income tax (Percent of total raised locally);
%	Other (Please specify).

D. Who sets the tax rates at the local level for Capital Outlay?

E. Who sets the tax rates at the local level for Operating Expenditures?

F. How much is each student charged for tuition and fees? (If charges vary by course or program, please list all the charges):

G. Are funding distinctions made among students or programs (for instance, among regular full-time students, academic transfer students, those in vocational education and recreational courses, part-time students)?

H. By what methods and by whom are these distinctions made?

II. ENROLLMENT ACCOUNTING PRACTICES

A. What is the standard unit to measure enrollment in your state's two-year colleges (example: Average Daily Attendance, Full-Time-Equivalent Student, etc.)? _____
What measures constitute this unit (example: 12 classroom hours/week= 1 FTE student)?

B. How are course enrollments and census dates determined?

C. Are enrollments funded by specified census dates? _____
Explain.

D. What determines the academic credit assigned to the following kinds of courses: lecture classes, laboratory time, recreational courses, vocational courses, credit-no credit options?

E. How does academic credit differ among these kinds of courses?

III. BUDGET DETERMINATION: CAPITAL OUTLAY AND OPERATING COSTS

A. Is an institution's income determined by a formula? _____.

1. Is funding:

☐ Dollar Amount Per Student: Amount $_____.

☐ Dollar Amount Per Full-Time Student: Amount $_____.

☐ Given number of Dollars Per Institution, based on:

☐ Cost Analysis ☐ Institutional Requests

☐ Apportionment Formula and how derived:

Please explain any answer more fully:

2. How is the formula or relationships among factors changed?

B. How and by whom are budgets initially put together?

C. How and by whom are budgets subsequently reviewed and approved?

D. Is there extensive budget review at the State level?

E. How are adjustments made for over-budgeting and under-budgeting?

F. What State categorical aid programs exist, and how much is spent in each category?

G. Both for Capital Outlay and Operating Costs, do the two-year colleges differ from the finance system used to support other institutions of public higher education?_____. If so, how do the two-year colleges differ?

H. Why do the two-year colleges differ from the finance system used to support other institutions of higher education?

SURVEY OF THE MOST IMPORTANT ISSUES

AFFECTING FINANCE OF TWO-YEAR COLLEGES

A. Could you provide a general statement on the mission of two-year colleges in your state, especially in comparison with four-year institutions?

B. How is the level of student tuition and fees justified?

C. Is the amount of time an instructor spends in the classroom an important issue?

D. Have certain target populations (senior citizens, minority group members, etc.) been identified for special attention by two-year colleges? How has the system of finance been used in this effort? Have special efforts been made to recruit and hold these students?

E. Has public funding of avocational-recreational courses become an important issue? How has this debate affected two-year college finance?

F. What are the most serious problems in your state's two-year college finance system? How is your state solving these problems?

G. What are the recent trends in your state regarding two-year college finance, especially in regard to changing enrollment patterns and changes in the proportions of state and local support.

H. What are the general policy justifications and objectives for your state's system of two-year college finance, both for capital outlay and operating expenses?

I. How effective is your finance system in meeting these objectives?

APPENDIX B

Sources for Table I

Comparisons of the Level of Support Per Full-Time-Equivalent Student Among Two-Year Colleges in Selected States, 1974-5, 1975-6

New York State Education Department, A Summary of Major Changes in the State's Higher Education System and Funding in Recent Years, Albany, 1976, pp. 23-5.

Chronicle of Higher Education, August 4, 1975, p. 1.

Response to CPEC survey questionnaire from Cornelius Robbins, Associate Chancellor for Community Colleges, State University of New York, July 13, 1976.

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Illinois Board of Higher Education, Data Book on Illinois Higher Education, Springfield, 1976, pp. 10, 192.

Illinois Community College Board, "Summary of Community College Funding Proposals for Fiscal Year 1977," Springfield, 1976, p. 20.

____, Fiscal Year 1977 Operating Budget Recommendations for the Illinois Public Community College System, Springfield, 1975, pp. 18-20.

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Texas, Coordinating Board for the College and University System, Texas Higher Education, 1968-1980: A Report to the 64th Legislature of the State of Texas, Austin, 1975, pp. 29, 102.

Texas, Coordinating Board for the College and University System, Statistical Supplement to the Annual Report of the Coordinating Board . . : for the Fiscal Year 1975, Austin, 1975, pp. 137-39.

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Education Commission of the States, Higher Education in the States, Volume V, No. 4, 1976, pp. 216-7.

State Council of Higher Education for Virginia, Higher Education in Virginia: A Report in Support of the Virginia Plan, 1975-6, Richmond, 1976, p. 29.

Response to CPEC survey questionnaire from Daniel Crooks, Director of Administration and Finance, Virginia Department of Community Colleges, October 13, 1976.

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Enrollment information from the State Board for Community Colleges and Occupational Education, Denver, Colorado, December, 1976.

Response to CPEC survey from James L. Buysse, Internal Auditor of the State Board for Community Colleges and Occupational Education, Denver, Colorado, June 4, 1976, and March 4, 1977.

Response to CPEC survey from Bill Adrian, Deputy Director of the Colorado Commission on Higher Education, June 4, 1976.

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Florida Department of Education, Division of Community Colleges, Report for Public Community Colleges, 1974-5, Tallahassee, 1976, pp. 23, 30, 56, 68.

Education Commission of the States, Higher Education in the States, Volume V, No. 4, 1976, p. 161.

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Enrollment Information, George V. Moody, Director of the State Department of Education's Division of Junior Colleges, Jackson, Mississippi, December, 1976.

Response to CPEC survey from Francis Geoghegan, Director, Mississippi Commission of Budget and Accounting, June 29, 1976.

APPENDIX C

STATE UNIVERSITY OF NEW YORK
COMMUNITY COLLEGES
1975-76 STATE OPERATING AID FORMULA

Basic State Aid:

Non-Full Opportunity Colleges:

Lesser of 1 or 2

1. 33-1/3% of Net Operating Cost (Net Operating Cost = Gross (Total) Operating Cost less Offsetting Revenues)

2. a) $558/FTE
   + 29/FTE if student faculty ratio is no less than 17.5/1
   + 29/FTE if no less than 50% of the gross cost less rental cost for physical space is allocated to I & DR
   + 29/FTE if sponsor's contribution is no less than 1/2 mill of full valuation of real property in sponsorship area

   } times # of FTE students eligible for State aid, plus

   b) $150/full-time disadvantaged student, if number of full-time disadvantaged students coming from sponsorship area as a percentage of all full-time students coming from sponsorship area is no less than the percentage of disadvantaged in the sponsorship area

   } times total # of full-time disadvantaged students, plus

   c) 33-1/3% of rental cost for physical space

Supplemental State Aid:

$150/FTE student enrolled in technical programs, if

   a) 1975-76 F.T. & P.T. tuition rates are no less than 1974-75 F.T. & P.T. tuition rates, respectively, and

   b) either the 1975-76 total sponsor's contribution is equal to or greater than the 1974-75 total sponsor's contribution or the 1975-76 sponsor's contribution per FTE student coming from the sponsorship area is equal to or greater than the 1974-75 sponsor's contribution per FTE student coming from the sponsorship area

   } times total # of FTE students enrolled in technical programs

Total State Operating Aid = Basic State Aid plus Supplemental State Aid

C-1

STATE UNIVERSITY OF NEW YORK
COMMUNITY COLLEGES
1975-76 STATE OPERATING AID FORMULA

Basic State Aid:

Full Opportunity Colleges:

Lesser of 1 or 2

1. 40% of Net Operating Cost (Net Operating Cost = Gross (Total) Operating Cost less Offsetting Revenues)

2. a) $670/FTE
   + 35/FTE if student faculty ratio is no less than 17.5/1
   + 35/FTE if no less than 50% of the gross cost less rental cost for physical space is allocated to I & DR
   + 35/FTE if sponsor's contribution is no less than 1/2 mill of full valuation of real property in sponsorship area

   } times # of FTE students eligible for State aid, plus

   b) $180/full-time disadvantaged student, if number of full-time disadvantaged students coming from sponsorship area as a percentage of all full-time students coming from sponsorship area is no less than the percentage of disadvantaged in the sponsorship area

   } times total # of full-time disadvantaged students, plus

   c) 40% of rental cost for physical space

Supplemental State Aid:

$150/FTE student enrolled in technical programs, if

   a) 1975-76 F.T. & P.T. tuition rates are no less than 1974-75 F.T. & P.T. tuition rates, respectively, and

   b) either the 1975-76 total sponsor's contribution is equal to or greater than the 1974-75 total sponsor's contribution or the 1975-76 sponsor's contribution per FTE student coming from the sponsorship area is equal to or greater than the 1974-75 sponsor's contribution per FTE student coming from the sponsorship area

   } times total # of FTE students enrolled in technical programs

Total State Operating Aid = Basic State Aid plus Supplemental State Aid

APPENDIX D

THE FLORIDA SYSTEM OF COMMUNITY COLLEGES: A DETAILED DESCRIPTION

The Florida system of two-year colleges is an interesting experiment in designed growth and shared authority. Because the system has been planned so carefully and offers such clear alternatives to most other systems, Commission staff decided to present this additional analysis.

Shortly after World War II, several local public school systems established junior colleges in Florida's metropolitan areas. Although financed through a mechanism similar to secondary schools, the junior colleges soon became an important part of higher education: over half of the 1962 Florida freshmen enrolled in higher education were junior college students or in area vocational centers.

Consequently, Florida faced the crisis of two-year college growth before most other states. The number of junior colleges increased from 5 to 25 and enrollment from 5,000 to 30,000 students between 1956 and 1961, a percentage growth unmatched in the United States at that time. Partly as a result of the perceptive studies of Dr. James Wattenbarger and partly from a firm conviction among the state's political leaders that planning and coordination should take precedence over local interests, the Florida higher education system emerged as a conspicuous alternative to the systems in other states.[66]

The problem of governance and finance for these booming institutions was considered initially in 1965 by the Florida legislature, but the outlines of the modern system were not clear until 1968. Independent local boards of trustees were created and charged with governing the colleges, a common pattern among the states.[67] Although each of the 28 college districts is by law a separate legal entity with "the powers necessary for governmental operation for [its] respective college," full state funding on the basis of a cost-per-student formula limits the boards' abilities to raise additional revenue.[68] Furthermore,

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66. Florida State Department of Higher Education, Florida's Public Junior Colleges (Tallahassee, 1967). Dayton Y. Roberts, "Florida's Community-Junior Colleges," in Highlights of a Decade (Tallahassee, 1967).

67. James Wattenbarger, "Five Years of Progress in Florida," in Roger Yarrington, Junior Colleges: 50 States/50 Years (Washington, 1969), pp. 56-61. Interview with Margaret Gordon, Associate Director of the Carnegie Council for Higher Education, Berkeley, California, April 14, 1976.

68. Florida Community Colleges, Position Paper I (September, 1975), p. 1.

a September 1975 position paper identifies the establishment of goals and objectives for public education as:

> . . . clearly a responsibility of the state level agency; however, local agencies [boards] should retain maximum freedom in implementing the goals and objectives, but should be accountable to the state for how well the goals and objectives are accomplished.[69]

Given large enrollment increases, the Florida Department of Education's Division for Community Colleges and the legislature have shown little inclination to allow the pressures for "local autonomy" to push the budget for education beyond limits set at the statewide level.

Florida budgeting is an interesting process based on historical costs divided by the number of Full-Time-Equivalent students. The total state allocation is computed from aggregating the costs at individual colleges of providing instruction plus growth and adjustment factors, minus student fees and federal funds. The process is as follows:[70]

1. An annual cost analysis is performed by each college, which examines the records of actual expenditures for the preceding year. This analysis is reported to the state in October of each year.

2. The cost-analysis presents the computed unit-cost per-course taught at a college. This unit cost includes a pro-rata share of the teacher's total salary and benefits and a pro-rata share of instructional plant and maintenance costs.

3. The October cost-analysis report shows course costs combined into discipline costs and discipline costs aggregated into broad curriculum-program costs. The discipline and curriculum-program costs are expressed in dollars per FTE student. These costs are then distinguished into groups of large colleges (over 1300 FTE students) and small colleges (under 1300 FTE students).

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69. Ibid., p. 3.

70. The following description is based on materials by Philip D. Goldhagen, response to Commission survey, May 21, 1976, and on James Wattenbarger and Paul Starnes, "State Funding Formulae for Public Two-Year Colleges" (Gainesville, Florida, 1973), pp. 18-25.

4. For both groups (large and small colleges), costs per FTE student by discipline and by program are collected by the state, and a "statewide average cost per FTE student" is computed for each discipline. A cost ratio for each discipline is calculated by dividing the cost of each discipline category by the statewide average cost per FTE student.

   Example:

   $$\text{Health Sciences} \quad \frac{\$1{,}800/\text{FTE student}}{\$1{,}000/\text{FTE student}} = 1.8 \text{ Cost Ratio for Health Sciences for "n" fiscal year}$$
   $$\text{All Students}$$

   This ratio establishes the differential costs among disciplines.

5. A coming-year, statewide, unitary cost per student is computed by the state as:

   a. The base-year, statewide average cost per FTE student;

   b. An added adjustment for economic conditions (generally calculated from the Consumer and Wholesale Price Indices and called "the economic lag factor");

   c. An adjustment for equipment costs and depreciation;

   d. An adjustment subtracted for student fees and incidental college income;

   e. An adjustment subtracted for federal funds.

   The coming-year, statewide, unitary cost is then multiplied by the cost ratio for each discipline to produce the coming-year, projected cost per FTE student in each discipline category.

6. The estimated FTE student enrollments by discipline category are submitted by the colleges to the state. They are then multiplied by the current-year projected cost per FTE student in each of the disciplines. The amounts generated in each discipline category are then totaled to produce the college's allocation for the current year.

7. The Department of Education's Division of Community Colleges makes periodic adjustments during the fiscal year as actual FTE student enrollments are reported, however, these adjustments are redistributions within the college system. The total amount of operating revenues available for colleges remains fixed throughout the fiscal year unless the legislature acts to change it.

As Table 1 indicates, this cost-accounting method results in significant differences in the state's allocation per FTE students among the various disciplines.

Although the Florida system contains many features which commend it as a rational way to distribute resources and insure adequate operating support for education, funding by cost analysis has some weaknesses. There is a real danger that costs and expenditures will develop a self-fulfilling relationship which can discourage efforts to break established patterns. Furthermore, multiplying the unit costs by enrollment is a method which treats all costs as directly variable with enrollment. This is clearly not the case. Florida officials are well aware of these weaknesses and are studying an extensive report which addresses the problems.[71] Florida is certainly in the vanguard of those states committed to budgeting by cost analysis.

UNIVERSITY OF CALIF.
LOS ANGELES

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CLEARINGHOUSE FOR
JUNIOR COLLEGES

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71. Touche Ross and Company, "Proposed Fund Generation and Apportionment Process for the Florida Community College System," (November 12, 1976).

SYSTEMWIDE TOTALS FOR THE FLORIDA
COMMUNITY COLLEGES, 1973-1974

FIELD OF STUDY	1973-74 FTE STUDENTS	1973-74 STATE ALLOCATION	COST 1973-74 STATE LEVEL COST/FTE STU.
Advanced & Professional			
Agricul. & Nat. Res.	29.83	$ 28,942.75	$ 970.26
Architecture & Engr.	58.73	74,644.13	1,270.97
Area Studies	2.55	2,493.06	977.67
Biological Studies	6,820.92	6,044,223.23	886.13
Business & Management	3,345.26	3,006,886.73	898.85
Communications	1,120.25	989,939.63	883.68
Computer & Info. Srv.	569.25	610,565.69	1,072.58
Education	3,752.15	4,417,780.87	1,177.40
Engineering	100.02	146,545.65	1,465.16
Fine & Applied Arts	9,148.52	8,997,711.65	983.52
Foreign Languages	1,745.31	1,899,608.93	1,088.41
Health Professions	289.86	340,064.91	1,173.20
Home Economics	113.92	111,376.17	977.67
Law	170.60	150,502.07	882.19
Letters	15,645.48	15,395,225.33	984.00
Etc.			
Total Advanced & Professional	83,600.36	$76,554,108.17	$ 915.72
Occupational			
Agriculture	601.13	$ 710,449.32	$1,181.86
Distributive	3,305.11	3,268,275.32	988.86
Health	4,921.75	7,717,692.66	1,568.08
Home Economics	1,452.02	1,696,251.21	1,168.20
Office	7,135.23	7,688,263.50	1,077.51
Trade and Industrial	5,259.88	6,193.477.10	1,177.49
Technical	8,448.27	9,999,678.30	1,183.64
Total Occupational	31,123.39	$37,274,087.41	$1,197.62
Developmental			
Post High School	1,550.48	$1,661,463.95	$1,071.58
Elementary and Sec.	4,686.31	5,037,391.79	1,074.92
Total Developmental	6,236.79	$6,698,855.74	$1,074.09
Community Instr. Servs.			
Citizenship	2,029.44	$1,987,113.29	$ 979.14
Enrichment & Avocat.	860.02	772,854.18	898.65
Total Comm. Instr. Servs.	2,889.46	$2,759,967.47	$ 955.18
GRAND TOTAL	123,850.00	$123,287,018.79	$ 995.45